



**SPECIAL MEETING OF THE CPS ENERGY BOARD OF TRUSTEES
CONVENING AS THE RISK MANAGEMENT COMMITTEE
TO BE HELD ON JUNE 16, 2025, AT 1:00 P.M.
LOCATION: CPS ENERGY BOARD ROOM (500 MCCULLOUGH AVE.)**

At any time during the Board Meeting, the Board may go into an executive session as permitted by the Texas Open Meetings Act, (Chapter 551 of the Texas Government Code) regarding any item on this agenda.

AGENDA

| ITEM | TOPIC | ACTION | PRESENTER/ SPONSOR |
|-------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|-----------------------|
| 1 | CALL TO ORDER | Execute | Ms. Janie Gonzalez |
| 2 | SAFETY MESSAGE, INVOCATION, & PLEDGE OF ALLEGIANCE | Execute | Ms. Brandy Russell |
| 3 | PUBLIC COMMENT Pre-Registration on Wednesday, June 11, 2025, 5:00 PM – Friday, June 13, 2025, 1:00 PM. Dial (210) 353-4662 or email PublicCommentRegistration@CPSEnergy.com | Discuss | Ms. Janie Gonzalez |
| CONSENT AGENDA | | | |
| 4 | APPROVAL OF: <ul style="list-style-type: none"> Minutes of the Risk Management Committee (RMC) meeting held on 11/12/2024 | Vote | Ms. Janie Gonzalez |
| RISK MANAGEMENT COMMITTEE | | | |
| 5 | ENTERPRISE RISK MANAGEMENT UPDATE | Discuss | Ms. Annamarie Rangel |
| 6 | MANAGING DEMAND FORECAST AND LARGE ENERGY REQUESTS | Discuss | Mr. Benjamin Jordan |
| 7 | VISION 2027 GENERATION PLAN – RISK UPDATE | Discuss | Mr. Benny Ethridge |
| 8 | MACROECONOMIC UPDATE | Discuss | Mr. Cory Kuchinsky |
| 9 | AI – A UTILITY’S PERSPECTIVE (Mr. Bill Kost, Marsh) | Discuss | Ms. Janie Gonzalez |
| CONVENE TO EXECUTIVE SESSION | | | |
| 10 | EXECUTIVE SESSION: A. Attorney Client Matters (§551.071) & Competitive Matters (§551.086) | Discuss | Ms. Janie Gonzalez |
| 11 | REVIEW OF ACTION ITEMS | Discuss | Ms. Janie Gonzalez |
| 12 | ADJOURNMENT | Execute | Ms. Janie Gonzalez |

If the Board meeting has not adjourned by 3:40 PM, the presiding officer shall entertain a motion to continue the meeting, postpone the remaining items to the next Board meeting date, or recess and reconvene the meeting at a specified date and time.

Draft for review and approval
at the June 16, 2025 meeting

**CPS ENERGY
MINUTES OF THE SPECIAL MEETING OF THE BOARD OF TRUSTEES
HELD ON NOVEMBER 12, 2024**

The Special Meeting of the CPS Energy Board of Trustees convening as the Risk Management Committee was held on Tuesday, November 12, 2024, in the Board Room on the first floor of the CPS Energy headquarters located at 500 McCullough, San Antonio, Texas.

I. CALL TO ORDER

Trustee Dr. Mackey called the meeting to order at 1:00 p.m.

Present were Board members:

Dr. Willis Mackey, Chair
Ms. Janie Gonzalez
Dr. Francine Romero
Mr. John Steen
Mayor Ron Nirenberg (Absent)

Also present were:

Mr. Rudy Garza, President & CEO
Ms. Shanna M. Ramirez, Chief Legal & Ethics Officer, General Counsel & Board Secretary
Ms. Elaina Ball, Chief Strategy Officer
Mr. Cory Kuchinsky, Chief Financial Officer & Treasurer
Mr. Benny Ethridge, Chief Energy Supply Officer
Ms. DeAnna Hardwick, Chief Customer Strategy Officer
Mr. Evan O'Mahoney, Chief Information Officer
Ms. Lisa Lewis, Chief Administrative Officer
CPS Energy staff members
Interested Citizens

SAFETY MESSAGE, INVOCATION, & PLEDGE OF ALLEGIANCE

A safety message, invocation, and the Pledge of Allegiance were delivered by Ms. Edna Elizalde, Manager, Enterprise Risk Program.

II. PUBLIC COMMENT

There were no members of the public wishing to provide public comment.

Draft for review and approval
at the June 16, 2025 meeting

III. APPROVAL OF CONSENT AGENDA

IV.

A. Minutes of the Risk Management Committee Meeting held on June 17, 2024

There was a motion made by Trustee Dr. Romero and seconded by Trustee Gonzalez to approve the minutes. The item was discussed by the Board, and the item was deferred until the conclusion of Item VIII, Committee Governance Review. Following the amendment to the Charter, the Board of Trustees reopened discussion, and the minutes were approved 3-1, with Trustee Steen voting against approval and Mayor Nirenberg absent.¹

V. ENTERPRISE RISK MANAGEMENT UPDATE

Ms. Annamarie Rangel, Director Enterprise Risk Management & Solutions, provided an Enterprise Risk Management (ERM) update. She reviewed ERM's role: to partner with the organization to promote awareness and reduce risk exposure. She also reviewed utility industry risks and ERM's actions in partnering and collaborating with the organization to improve enterprise risk awareness, visibility, and exposure.

The Board of Trustees asked questions and discussed the presentation.

VI. ENERGY TRANSITION

Mr. Bill Kost, Marsh, presented Risk Insights for the Energy Transition. He reviewed the current state, trends, and outlook.

The Board of Trustees asked questions and discussed the presentation.

VII. EVOLVE: ARTIFICIAL INTELLIGENCE (AI)

Mr. Evan O'Mahoney, Chief Information Officer, presented on CPS Energy's efforts related to Artificial Intelligence (AI) as a part of its Evolve strategy. He noted that formulating our strategy and establishing governance in relation to AI will mitigate risks and support our ability to capitalize on GenAI opportunities. He then reviewed the AI framework and execution progress we are using to ensure appropriate digital governance. Finally, he discussed the actions we are taking to manage associated risks.

Mr. Rudy Garza, President & CEO, noted that all utilities are undertaking similar efforts, and CPS Energy is ahead of the curve and is being proactive.

VIII. HORIZON 2050 UPDATE

Ms. Elaina Ball, Chief Strategy Officer, provided an update on Horizon 2050, including preliminary stakeholder feedback. She presented the current draft of the Horizon 2050 Strategic Framework and

¹ Trustee Steen requested that his comments be included in the minutes. He noted his request for a more thorough recap of the discussion to be included in the minutes (although it is not legally required). He also noted his concern about approving the minutes prior to the change in the Risk Management Committee Charter, which allowed the minutes to be approved at either the next Regular Board Meeting or Risk Management Committee Meeting.

Draft for review and approval
at the June 16, 2025 meeting

recapped the feedback trends, showing that reliability and competitive price are the top two priorities across stakeholders.

The Board of Trustees asked questions and discussed the presentation.

IX. COMMITTEE GOVERNANCE REVIEW

The Board of Trustees discussed the proposed redlines to the Risk Management Committee Charter and considered additional changes. Trustee Gonzalez moved to approve the Charter, as amended in the following manner:

RISK MANAGEMENT COMMITTEE CHARTER

I. Role of the Risk Management Committee

The Risk Management Committee, a standing committee of the CPS Energy Board of Trustees ("Board"), provides oversight to ensure that internal and external enterprise risks that might adversely affect the organization are appropriately identified and mitigated.

II. Authority

The Risk Management Committee is authorized to consult with and review information from CPS Energy management and other relevant sources to become familiar with and provide oversight and guidance concerning CPS Energy's enterprise risks and its risk management practices. The kinds of risk to be considered include, but are not limited to, financial risk, generation diversity, the existing and future regulatory climate, investment risk, and emerging utility risks. The Committee is authorized to review these risks and make recommendations concerning any actions within the scope of its responsibility that it feels are necessary to enhance or improve CPS Energy's risk exposure and/or risk management practices.

III. Committee Membership

The Risk Management Committee shall consist of all Board members. Appointment of the Chair of the Committee shall be approved at least biennially by the full Board.

IV. Meetings

The Risk Management Committee shall meet at least two (2) times per calendar year. Additional meetings shall be scheduled as considered necessary by the Committee or Committee Chair. All members are expected to attend each meeting. The Committee may invite members of management or others to attend meetings and provide pertinent information, as necessary. The Committee may also conduct meetings in executive session as warranted and as permitted by law. Minutes of meetings will be prepared by staff and approved by the Board at a regularly scheduled Board meeting or at the next Risk Management Committee meeting, or at the next Risk Management Committee meeting.

Draft for review and approval
at the June 16, 2025 meeting

V. Responsibilities

The Risk Management Committee is tasked with the following responsibilities:

- Ensure the Enterprise Risk Management Program includes standard practices and procedures that allow for the identification, assessment, and mitigation of enterprise risks.
- Review CPS Energy's enterprise risks and risk management practices. Documents that may be reviewed include, but are not limited to:
 - Enterprise Risk Register;
 - risk mitigation plans; and
 - current and emerging risk topics impacting CPS Energy's strategy, goals, and objectives.
- Ensure CPS Energy's enterprise risks are identified, relevant, and managed through appropriate mitigation plans.
- Recommend potential risk topics to be discussed as Risk Management Committee open and/or Executive Sessions to the Committee Chair. The Committee Chair will assist in developing the topics for the Risk Management Committee agenda.
- Review and assess the adequacy of the Risk Management Committee Charter annually.

Trustee Dr. Romero seconded the motion to approve the amendments to the Risk Management Committee Charter. The amendments were approved on a 3-1 vote, with Trustee Steen voting against the motion and Mayor Nirenberg absent.

X. EXECUTIVE SESSION

At approximately 2:47 p.m., Chair Dr. Mackey announced that the required notice had been posted, and Ms. Ramirez stated that the Board members, with only necessary parties in attendance, would convene into Executive Session, pursuant to the provisions of Chapter 551 of the Texas Government Code, for discussion of several posted items, including the following:

- Attorney-Client Matters (§551.071) & Competitive Matters (§551.086)
- Attorney-Client Matters (§551.071)

The Committee reconvened in open session at 3:47 p.m. The quorum was re-established with three members present. Ms. Ramirez noted that Trustee Gonzalez was no longer in attendance. Ms. Ramirez reported that only the matters cited above, and no others, were discussed, and no votes were taken in Executive Session.

Draft for review and approval
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XI. REVIEW ACTION ITEMS

Ms. Ramirez noted that there are no open action items from the last Risk Management Committee meeting, and she reviewed the one new action item from this meeting.

XII. ADJOURNMENT

There being no further business to come before the Committee, upon a motion duly made by Trustee Dr. Romero and seconded by Trustee Steen and upon an affirmative vote by all members present, the meeting was unanimously adjourned at 3:49 p.m. by Chair Dr. Mackey.

Shanna M. Ramirez
Secretary of the Board



ENTERPRISE RISK MANAGEMENT UPDATE

PRESENTED BY:
Annamarie Rangel
Director, Enterprise Risk Management & Solutions

June 16, 2025
Informational Update



AGENDA

- Utility Headlines
- Enterprise Risk Register Refresh Alignment & Summary
- Industry Risks & Comparison
- Strategic Risk Considerations
- Next Steps

Engaging all levels of the organization ensures that our risk landscape reflects the appropriate challenges and opportunities.

UTILITY HEADLINES



Recent headlines highlight the urgent need to proactively identify and mitigate risks as we shape our strategic plans.

News

New tariffs may disrupt solar market and US projects

By Oliver Townsend · Apr 24, 2025

How AI is Revolutionizing Renewable Energy: Smarter Grids, Better Forecasting, and Sustainable Solutions

By ALISA TAYLOR · February 21, 2025 · 4 mins read

South Central Texas utility joins Tesla in grid pilot program

By Andrew Davis · Reporter, San Antonio Business Journal
Mar 12, 2025

TEXAS POWER GRID OPERATOR ERCOT PREDICTS RECORD ELECTRICITY DEMAND AMIDST LOOMING HEATWAVE

By Ryan Anderson

Published on May 12, 2025

Source: Unsplash / Matthew Henry



Data Centers Are Booming in Texas. What Does That Mean for the Grid?

The rise of artificial intelligence, the digitization of the economy and everyday life's growing computing needs have turbocharged the expansion of data centers, driving up a surge in electricity demand

By Associated Press · Jan. 24, 2025, at 12:41 p.m.

Renewable energy companies face little regulation in Texas. A state lawmaker wants to change that.

The legislation would put new requirements on wind and solar companies that oil and gas companies in Texas do not face.

By CARLOS NOGUERAS RAMOS · APRIL 8, 2025 · 5 AM CENTRAL

SHARE · REPUBLISH

Global Energy Agenda · February 20, 2025

Tech and power sector partnerships can accelerate the energy transition

By Anshul Manoj

First US Utility Seeks Permit for a Small Nuclear Reactor

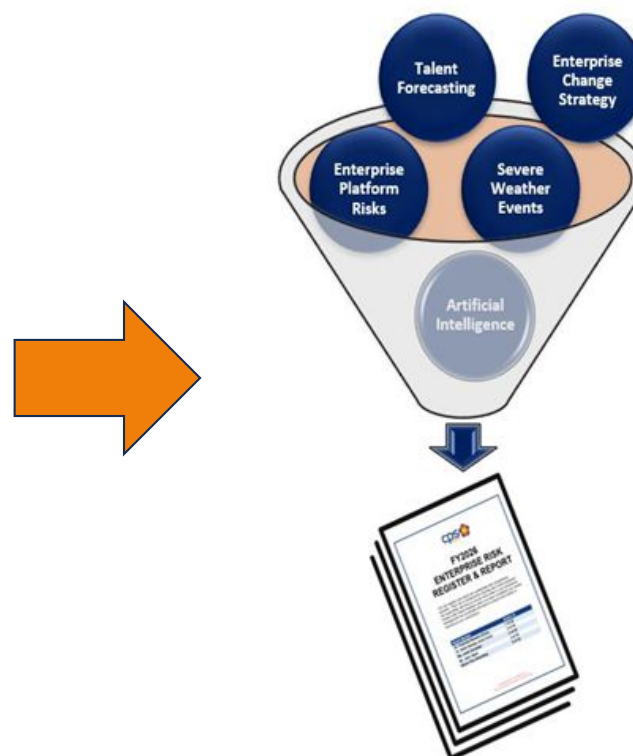
For the first time in the United States, a utility is asking federal regulators for a permit to build a small nuclear reactor

By Associated Press · May 01, 2025, at 9:02 a.m.

ENTERPRISE RISK MANAGEMENT PROCESS



- Enables the proactive identification, assessment, and mitigation of potential risks, thereby enhancing decision-making and planning
- Enhances the organization's overall risk posture
- Builds trust through transparent communication of risk management efforts
- Reduces inefficiencies and enhances overall operational performance



Risk Management Services discussed a variety of risk themes with the organization that are prominent in the utility industry to ensure our risks remain relevant and current.

ENTERPRISE RISK REGISTER REFRESH ALIGNMENT



We strive to partner and collaborate with all levels of the organization to align and complete the annual Enterprise Risk Register Refresh.

ENTERPRISE RISK REGISTER REFRESH

SUMMARY



We remain committed to continually updating the risk register to reflect the evolving and dynamic risk landscape.

- Monitor emerging threats and escalate concerns when appropriate
- Collaborate with external risk management professionals to gain insight
- Investigate the risk trends and landscape of the utility sector
- Partner with business areas to discuss the interconnectedness of risks and holistic mitigation plans

Enterprise Risk Register Refresh Results

| | FY2025 | FY2026 |
|-------------------|--------|--------|
| High & Swan Risks | ↓ -5% | ↑ 18% |
| Total # of Risks | ↑ 20% | ↑ 3% |

In this dynamic and evolving risk environment, FY2026 strategic goals and objectives are more achievable by frequently identifying and assessing risks to reflect new insights, emerging threats, and changing circumstances.

INDUSTRY RISKS & COMPARISON



Deloitte.

2025 Industry Outlooks

| | |
|---|----------------------------------------------------------------------------------------------------|
| 1 | Supply chain disruptions – increase in lead times |
| 2 | Escalating costs of extreme weather events – additional strain on grid infrastructure and finances |
| 3 | Slowing rate case approvals – difficult recovery of capital investment costs |

Gartner.

1Q25 Emerging Risks – Utilities

| | |
|----|--------------------------------------------|
| 1 | Increased extreme weather and severity |
| 2 | Unsettled regulatory and legal environment |
| 3 | IT vendor criticality |
| 4 | Energy shortages |
| 5 | Tariff and trade policy uncertainty |
| 6 | AI-enhanced malware |
| 7 | Increased financial exposure |
| 8 | Employee misuse of AI |
| 9 | Anti-corporate sentiment |
| 10 | Information governance-driven AI risks |
| 11 | Retirement wave |

protiviti®

Top 10 Risks (2-to-3 Year Outlook)

| | |
|----|---------------------------------------------------------------------------------------------------------------------------|
| 1 | Economic conditions, including inflationary pressures |
| 2 | Cyber threats |
| 3 | Ability to attract, develop and retain top talent, manage shifts in labor expectations, and address succession challenges |
| 4 | Talent and labor availability |
| 5 | Increases in labor cost |
| 6 | Heightened regulatory change, uncertainty, and scrutiny |
| 7 | Third-party risks |
| 8 | Rapid speed of disruptive innovations enabled by new and emerging technologies and/or other market forces |
| 9 | Adoption of AI and other emerging technologies requiring new skills in short supply |
| 10 | Emergence of new risks from implementing artificial intelligence |

Industry comparison confirms our risk profile is appropriately aligned.

HORIZON 2050 & RISK OUTLOOK

PROTIVITI & NORTH CAROLINA STATE UNIVERSITY RISK SURVEY



| Horizon 2050 Goals & Ten-Year: Top Risk Outlook | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Reliability | Value |
| <ul style="list-style-type: none"> • Cyber threats • Third-party risks | <ul style="list-style-type: none"> • Rapid speed of disruptive innovations enabled by new and emerging technologies and/or other market forces • Sustaining customer loyalty and retention |
| Financial Strength | Team Excellence |
| <ul style="list-style-type: none"> • Economic conditions, including inflationary pressures • Heightened regulatory change, uncertainty, and scrutiny • Geopolitical shifts, regional conflicts, and instability in governmental regimes | <ul style="list-style-type: none"> • Talent and labor availability • Adoption of AI and other emerging technologies requiring new skills in short supply • Ability to attract, develop and retain top talent, manage shifts in labor expectations, and address succession challenges |

We must navigate the complexities of a long-term strategy in an increasingly volatile and interconnected risk landscape by:

- Embracing a risk-informed decision-making approach
- Remaining agile, adaptive, and resilient through evolving uncertainties
- Ensuring sustained alignment of our strategies

As we chart the course for Horizon 2050, we are also assessing the multifaceted risks that may influence the realization of our long-term strategic goals, while maintaining a balanced budget.

Note: Summary of risks from research conducted by Protiviti and North Carolina State University's Enterprise Risk Management Initiative.

RISK INITIATIVES & NEXT STEPS



- Identify, assess, and re-evaluate risks throughout the FY2027 integrated business and budget planning processes
- Integrate risk discussions into Vision 2030 and Horizon 2050 strategies
- Participate in ad hoc operational special projects to further promote risk-based decision making
- Lead Enterprise Resource Planning (ERP) Risk Management Program and the onboarding and management of the Independent Verification & Validation (IV&V) vendor, Gartner



Enterprise Risk Management & Solutions (ERMS) continues to work collaboratively across the organization by participating in various discussions, committees, and specialized teams to support and advance the risk management framework.

RISK INFORMED PLANNING



We must follow a reasonable and balanced risk-based planning strategy that enables affordable and reliable energy, which contributes to the economic stability of our community.



Demand Forecast



Macroeconomics



Power Generation



**Artificial
Intelligence**



THANK YOU



APPENDIX

GLOSSARY / DEFINITIONS



| ACRONYM OR WORD | DEFINITION | ACRONYM OR WORD | DEFINITION |
|--------------------|----------------------------------------|--------------------|---------------------------------------|
| AI | Artificial Intelligence | IV&V | Independent Verification & Validation |
| ERM | Enterprise Risk Management | | |
| ERMS | Enterprise Risk Management & Solutions | | |
| ERP | Enterprise Resource Planning | | |
| FY | Fiscal Year | | |
| IT | Information Technology | | |



MANAGING DEMAND FORECAST AND LARGE ENERGY REQUESTS

PRESENTED BY:
Benjamin H. Jordan, P.E.
Interim Sr. Director, Integrated System Planning

June 16, 2025
Informational Update

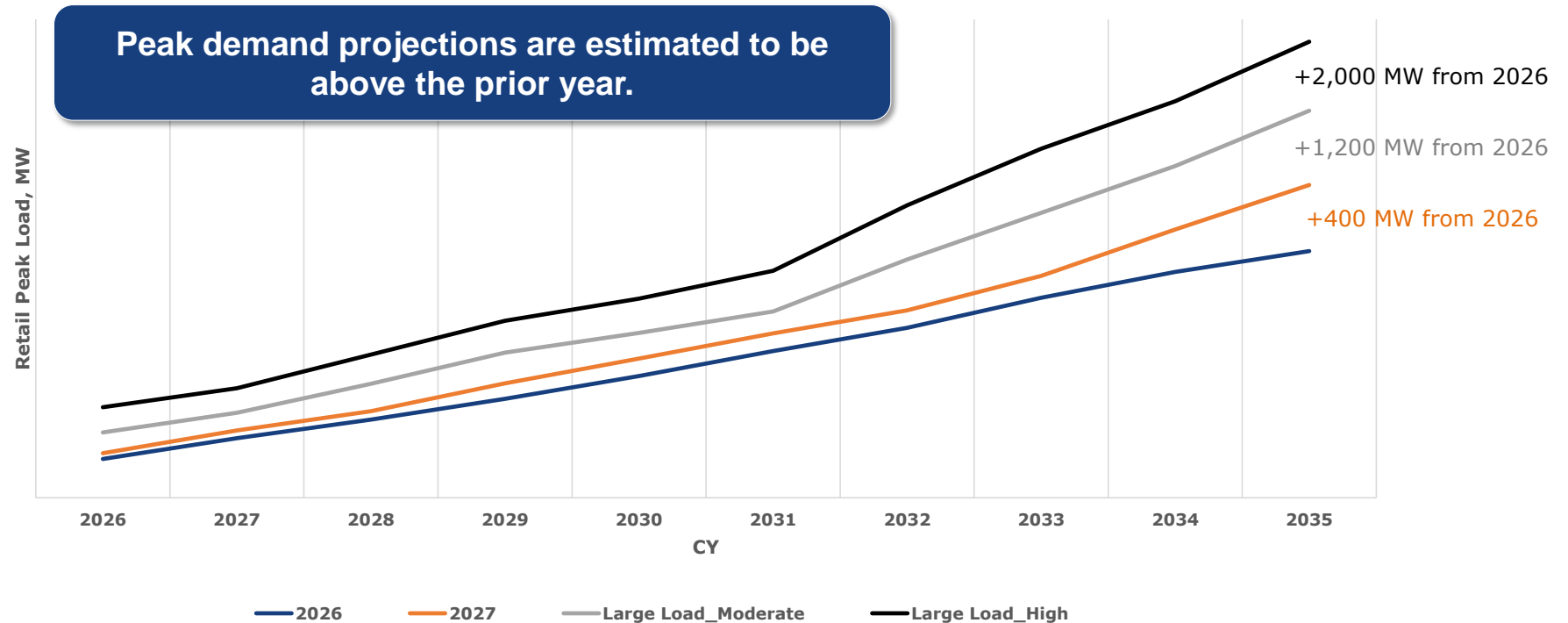


AGENDA

- Load Forecast Peak Demand
- Customer Request
- New Interconnection Process
- Managing Risk

Engaging all levels of the organization ensures that our risk landscape reflects the appropriate challenges and opportunities.

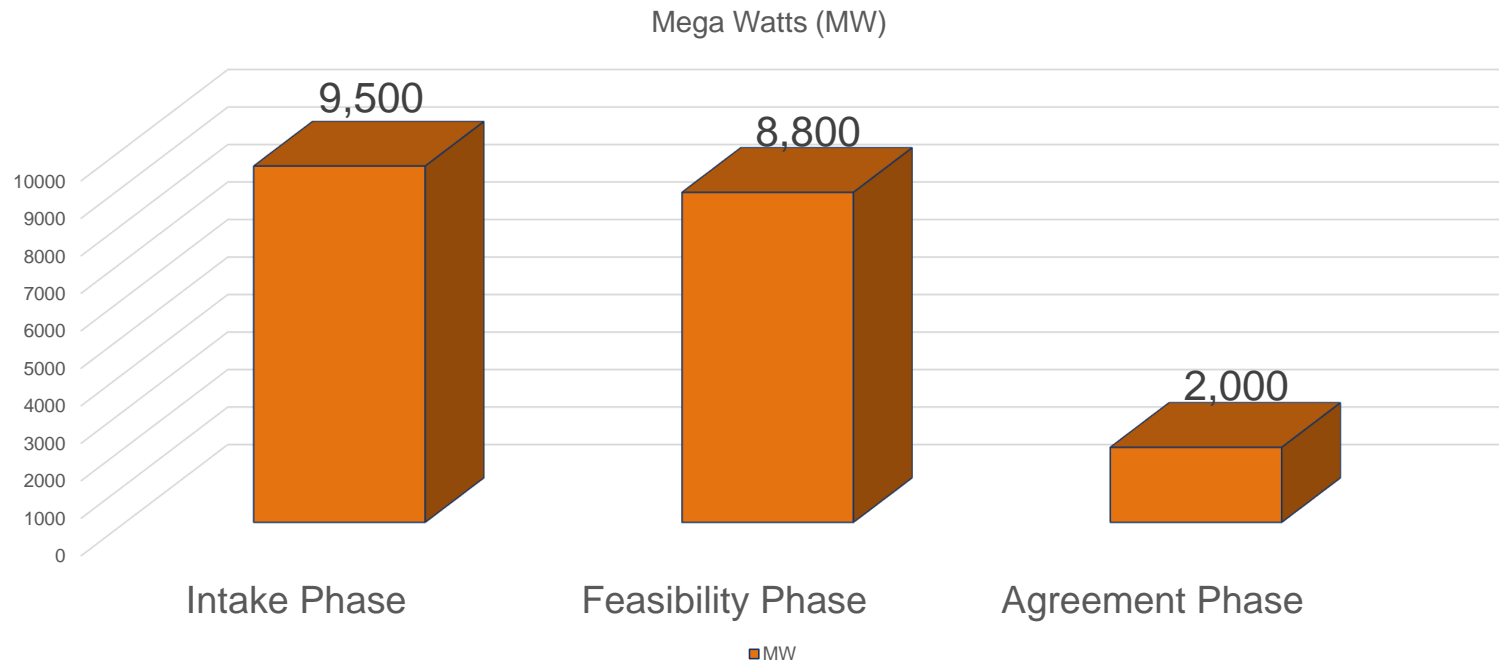
LOAD FORECAST PEAK DEMAND



The five-year average large load impact for 2026–2030 is 200MW annually.

LARGE CUSTOMER ENERGY REQUEST

WHAT WE ARE SEEING



The agreement phase has 2,000 MW in process, which is approximately 33% of last summer's system peak of 6,000 MW.

LARGE LOAD INTERCONNECTION PROCESS

ENGAGEMENT OVERVIEW



- Current State: A rapid increase in new demand from large load customers
- Future State: Improved and more efficient intake process
- Solution: Collaborated with internal and external stakeholders to improve the customer experience



Identify areas
for process
improvement



Understand peer
utilities and industry
best practices



Provide
recommendations
for future state

INTEGRATED SYSTEM PLANNING

ORGANIZATIONAL AGILITY

Organizational Alignment

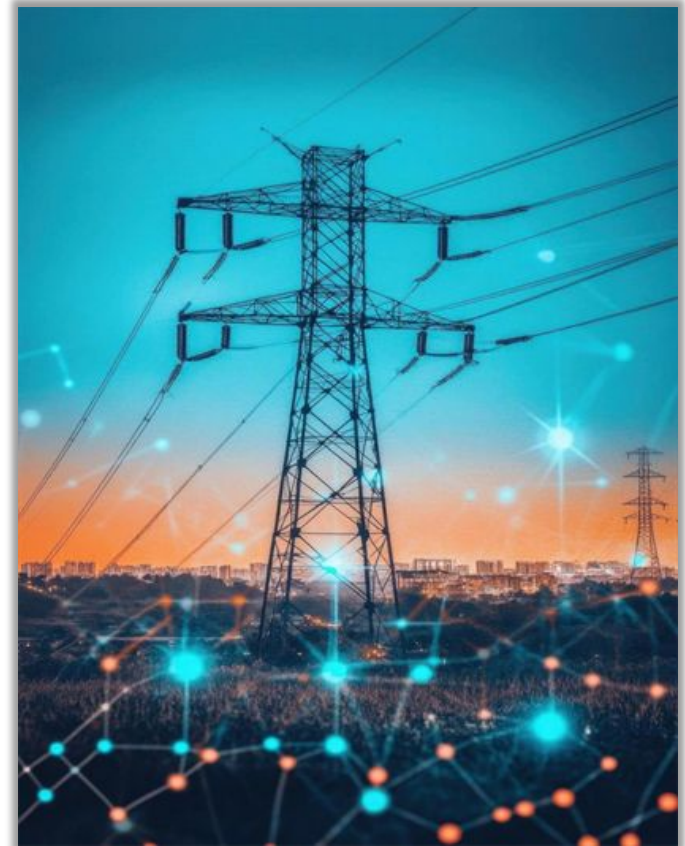
- Integrated System Planning
 - Large Customer Intake
 - Energy Portfolio Analytics

Roadmap

- Internal Process Flow
- Developed Improvements
- External Process Steps
- Integration into Load Forecast

Regulatory & Stakeholder Communication

- Senate Bill 6
- ERCOT Large Load Interconnection Study
- Focused Customer Engagement



LARGE LOAD INTERCONNECTION PROCESS

INTERNAL PROCESS EVALUATION



1 Develop a
**Process Improvement
Roadmap** to Establish
Long-Term Strategy



2 Standardize an
Integrated and
Aligned End-to-End
**Internal Process
Map**



3 Develop an
External Process Map
to Improve Customer
Understanding



We completed high-priority process improvement recommendations.

PROCESS IMPROVEMENT ROADMAP

PROGRESS



Complete

Internal Alignment
Documented Process
Defined Large Load Threshold
Dashboards



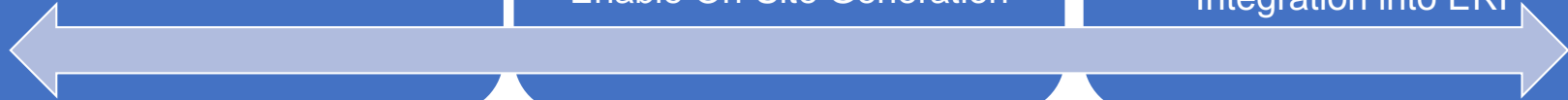
Short Term

Enhanced Customer-Facing
Website
Org. Structure Alignment
Standardized Offerings
Enable On-Site Generation



Long Term

Standardized Agreements
Enhancing Grid Technology
On-site Generation Solutions
Large Load Tariff
Integration into ERP



We have collaborated across all levels of the organization to align and develop processes to better manage large energy requests.

NEW EXTERNAL FACING PROCESS



Large load customer growth

We are taking swift action to streamline and accelerate the rapid increase in demand from our large load customers, specifically data centers, focusing on improving the customer experience starting with these 4 key areas. Large load customers are those requiring more than 40 MW of power.



Giving you a better customer experience



Increasing customer engagement



Optimizing the end-to-end project process lifecycle



Implementing new technology solutions



Enhancing visibility to process steps and requirements

Follow our six-step process for interconnection

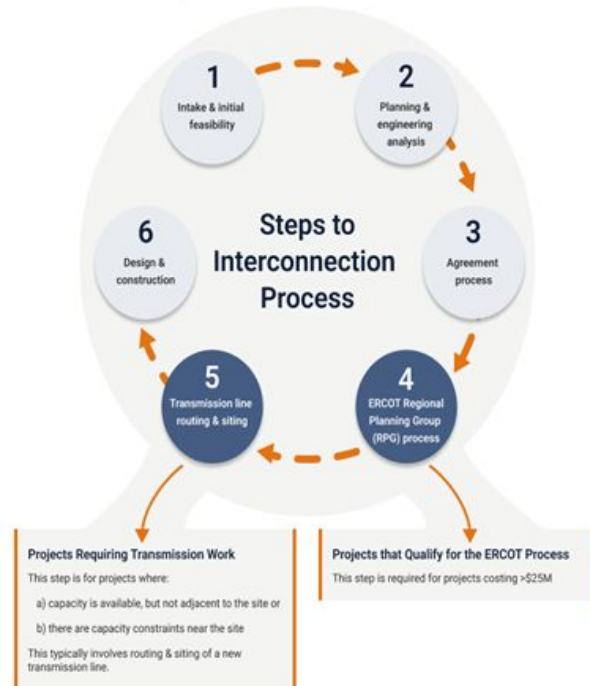
Each Large Load customer project is unique, and the overall timeline will be communicated on a case-by-case basis. The overall project and individual process step durations are driven by factors such as system capacity, geography, and technical scope.

6 Steps ➔

NEW EXTERNAL FACING PROCESS



The 6 steps in our interconnection process:



Let's define the 6 steps in our large load interconnection process

For more details on the interconnection steps, see process definitions below - or send an email to: R&ED@cpsenergy.com

①

Intake & initial feasibility

Aligning on project scope documentation, submission, and review of the technical specification form.

②

Planning & engineering analysis

Engineering analysis to identify capacity availability and timeline in specified areas of San Antonio based on the customer request.

③

Agreement process

Development, review, and signature activities of the customer agreement phase with the legal and technical teams.

④

ERCOT Regional Planning Group (RPG) process

(Potential Additional Step) Region-wide reliability and economic study of the transmission system in accordance with NERC and ERCOT requirements over a six-year transmission planning horizon, addressing reliability needs and analyzing potential economic benefits across that planning horizon.

⑤

Transmission line routing & siting

(Potential Additional Step) Detailed planning & design engineering of a transmission line extension/modification, including easements and right-of-way analysis.

⑥

Design & Construction

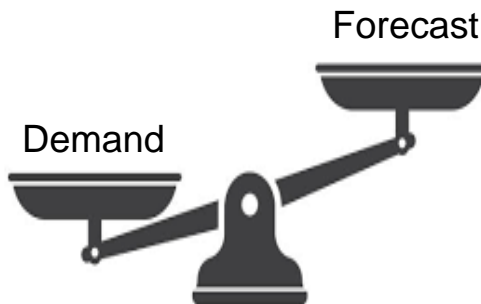
Design engineering, procurement, and construction of site interconnection, metering, and other applicable equipment.

www.cpsenergy.com/largeload

MANAGING RISK MOVING FORWARD APPROACH



Risk



Mitigation

- Moving forward with a balanced and structured approach
- Forecast assumptions are being impacted by the rate of change in the industry
- Continuous analysis and iteration
- Continued engagement with stakeholders and promoting transparency



THANK YOU



APPENDIX

GLOSSARY / DEFINITIONS



| ACRONYM OR WORD | DEFINITION | ACRONYM OR WORD | DEFINITION |
|--------------------|------------------------------------------|--------------------|------------|
| ERCOT | Electric Reliability Council of Texas | | |
| ERP | Enterprise Resource Planning | | |
| MW | Megawatt | | |
| | | | |
| | | | |
| | | | |



VISION 2027 GENERATION PLAN – RISK UPDATE

PRESENTED BY:
Benny Ethridge
Chief Energy Supply Officer

June 16, 2025
Informational Update

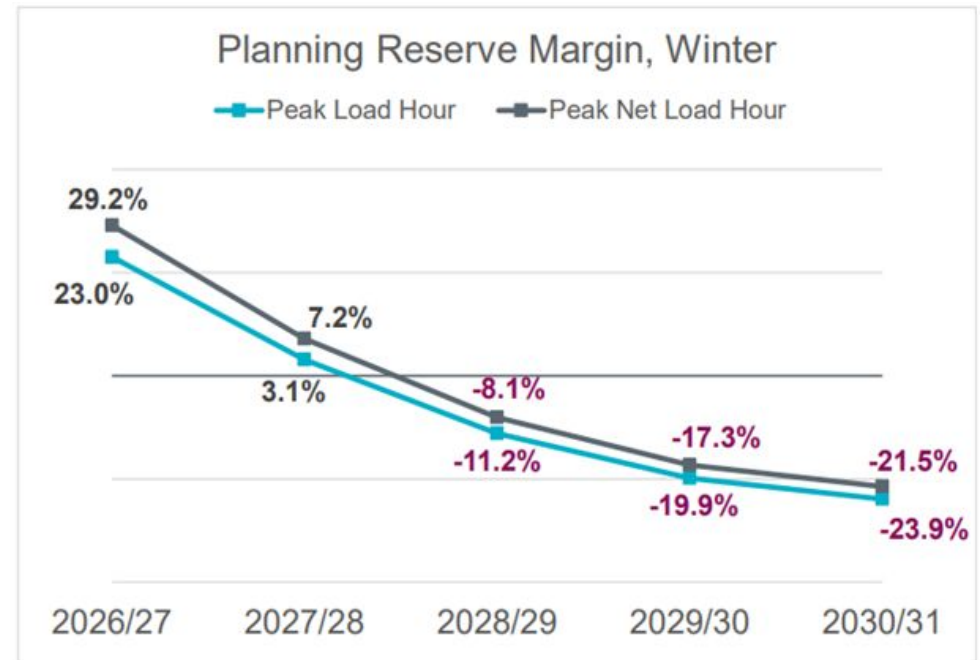
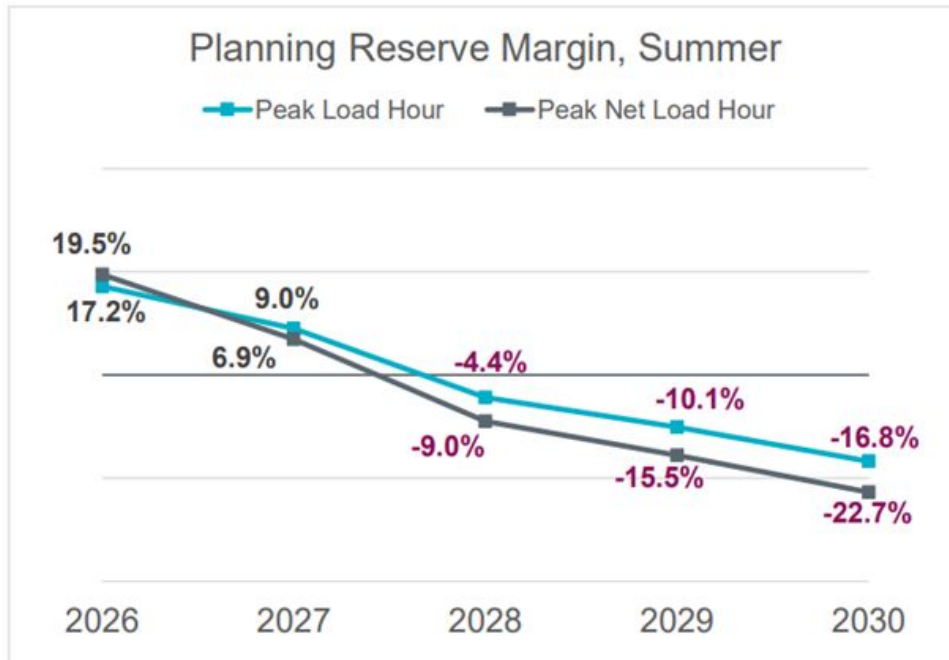


AGENDA

- ERCOT Demand Outlook
- Vision 2027 Generation Plan and Progress
- Path Forward
- Generation Plan Risk Management

ERCOT DEMAND OUTLOOK

SUMMER AND WINTER RESERVE MARGIN UPDATES



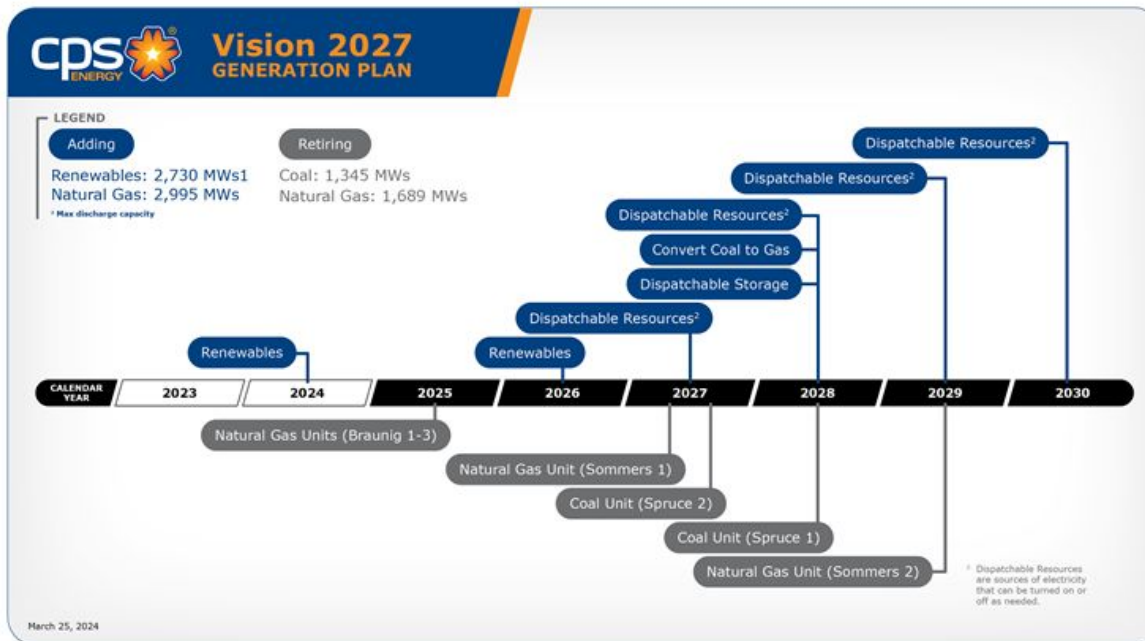
ERCOT Report on the Capacity, Demand and Reserves (CDR) in the ERCOT Region, 2026-2030 – May 16, 2025

Rapid projected demand growth in ERCOT poses significant risk to reserve margins and may lead to greater market price volatility.



VISION 2027 GENERATION PLAN

THE PATH SINCE 2022



Generation Plan Components

- ☐ Retire or convert coal units
- ☐ Retire aging gas units
- ☐ Addition of Solar, Wind, Storage, and Gas

In January 2023, the Vision 2027 Generation Plan was approved by the Board of Trustees with the City of San Antonio's Climate Action & Adaptation Plan (CAAP) goals.

GENERATION PLAN IMPLEMENTATION

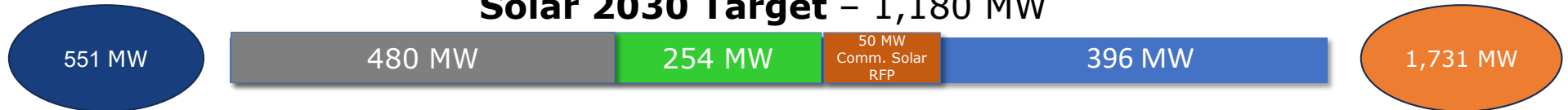


2024

2030

Zero carbon energy additions

Solar 2030 Target – 1,180 MW



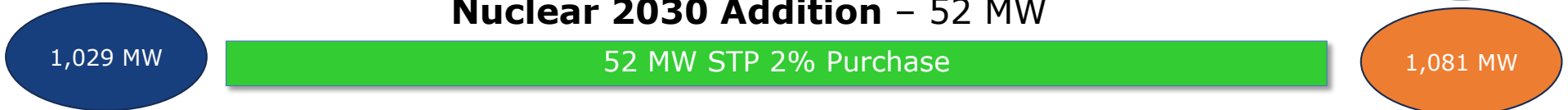
Storage 2030 Target – 1,050 MW



Wind 2030 Target – 500 MW



Nuclear 2030 Addition – 52 MW



Natural Gas 2030 Target – 2,992 MW

Including Coal-to-Gas Conversion



Online

Contracts Signed

In-flight

Remaining

Retirements

PATH FORWARD



- Add new generation in alignment with the Vision 2027 Generation Plan
- Leverage renewable generation and storage to reduce emissions
- Identify and evaluate emerging generation technologies

Continued load growth is driving the need for new generation capacity.

GENERATION PLAN RISK MANAGEMENT



Actions we're taking

- Build/buy/contract for new generation capacity
- Balance dispatchable and renewable generation capacity to support net-zero by 2050 CAAP goal
- Maintain investments in existing units
- Leverage industry expertise and partnerships to support emerging technology development
- Achieve financial metrics to maintain our credit ratings and ensure a low cost of borrowing

Mitigation plans have been established to address key risks and support our goals for reliability, affordability and environmental responsibility.



THANK YOU



APPENDIX

GLOSSARY / DEFINITIONS



| ACRONYM OR WORD | DEFINITION | ACRONYM OR WORD | DEFINITION |
|------------------------|-----------------------------------------------------------------|--------------------|----------------------------------|
| AI/ML | Artificial Intelligence/Machine Learning | EV | Electric Vehicles |
| CAAP | Climate Action and Adaptation Plan | GT | Gas Turbine |
| CC | Combined Cycle | GW | Gigawatt |
| CO2 | Carbon Dioxide | MW | Megawatt |
| CT | Combustion Turbine | MWh | Megawatt-hour |
| CY | Calendar Year | R&D | Research and Development |
| Dispatchable Resources | Sources of electricity that can be turned on and off as needed. | STEP | Sustainable Tomorrow Energy Plan |
| ERCOT | Electric Reliability Council of Texas | STP | South Texas Nuclear Project |

ACHIEVING COMMUNITY GOALS

CO2 INTENSITY

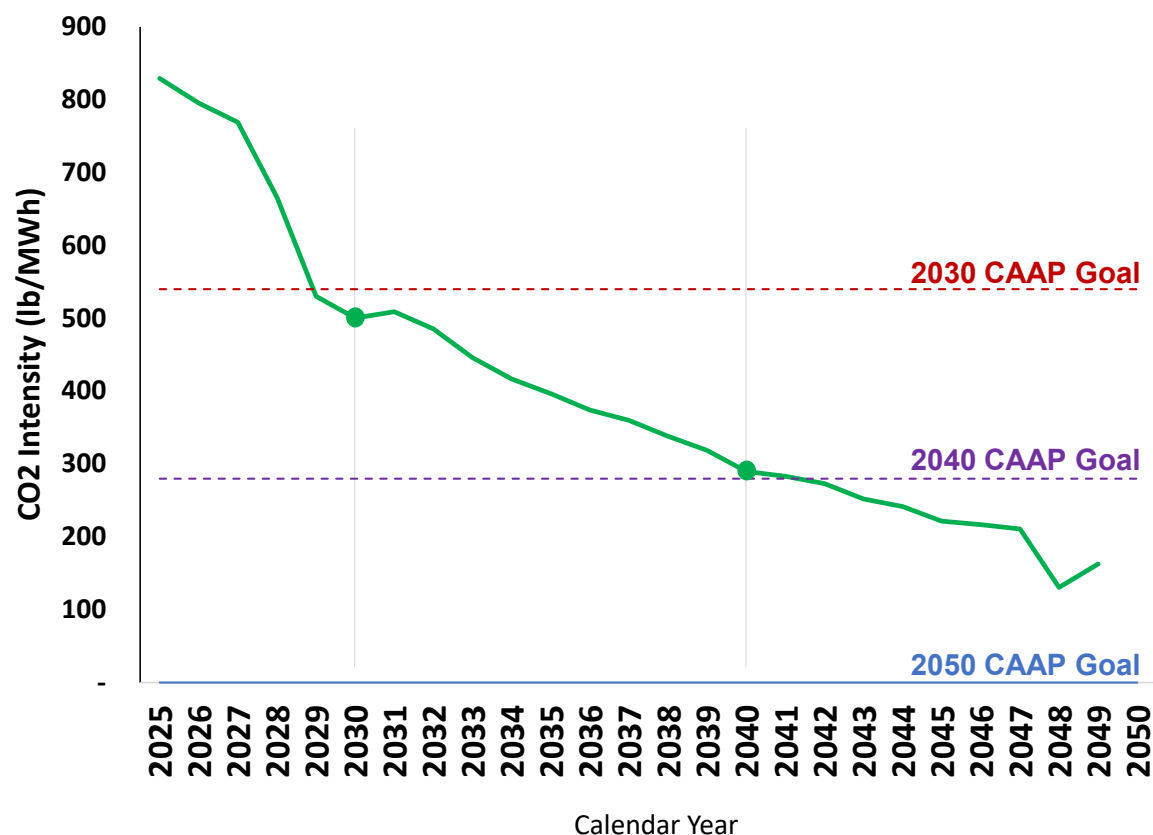


Our accomplishments have better positioned us to meet our Community's CAAP goals for 2040.

We will continue pursuing opportunities to lower our CO2 intensity.

This ongoing effort is essential for achieving net zero carbon by 2050.

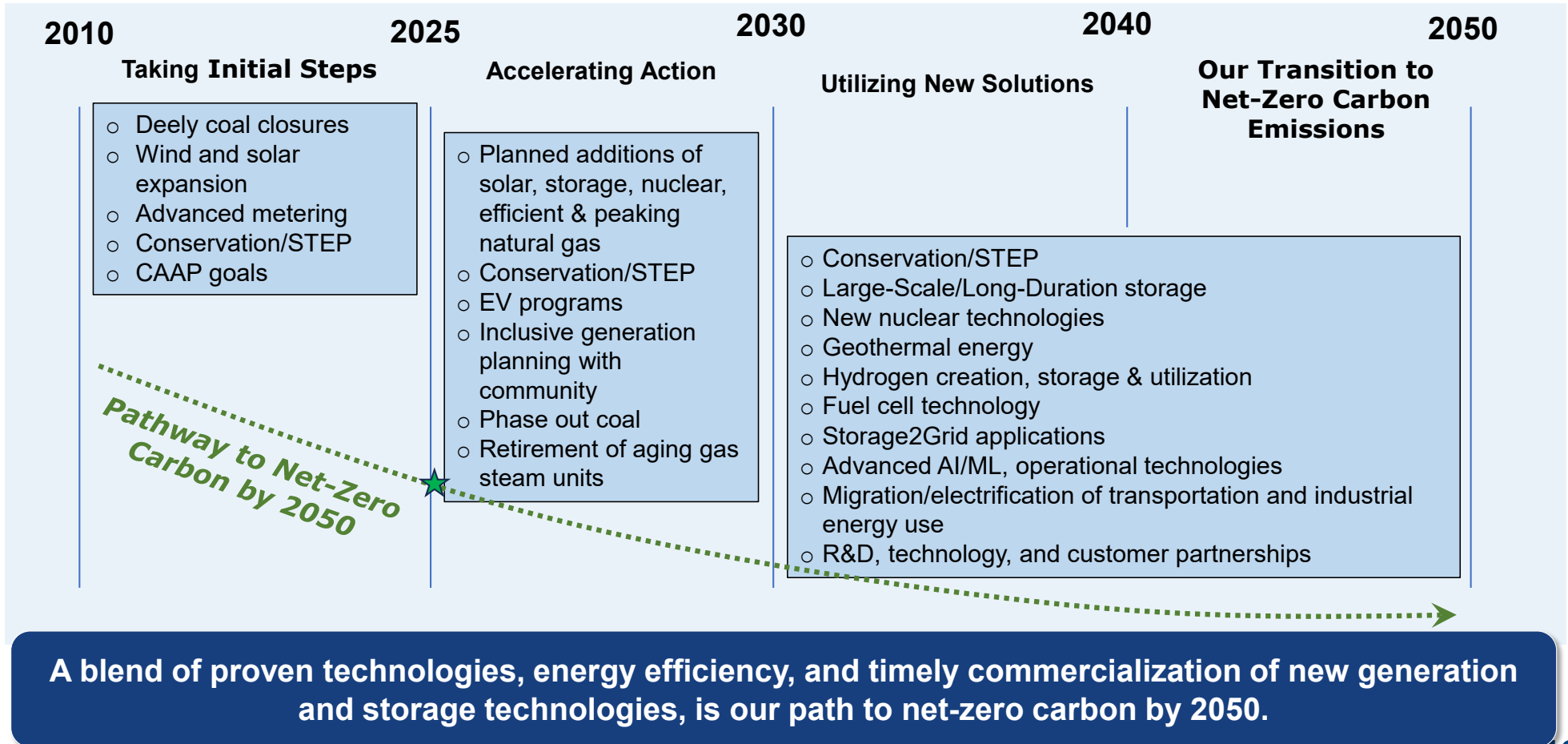
CO2 Emissions Intensity





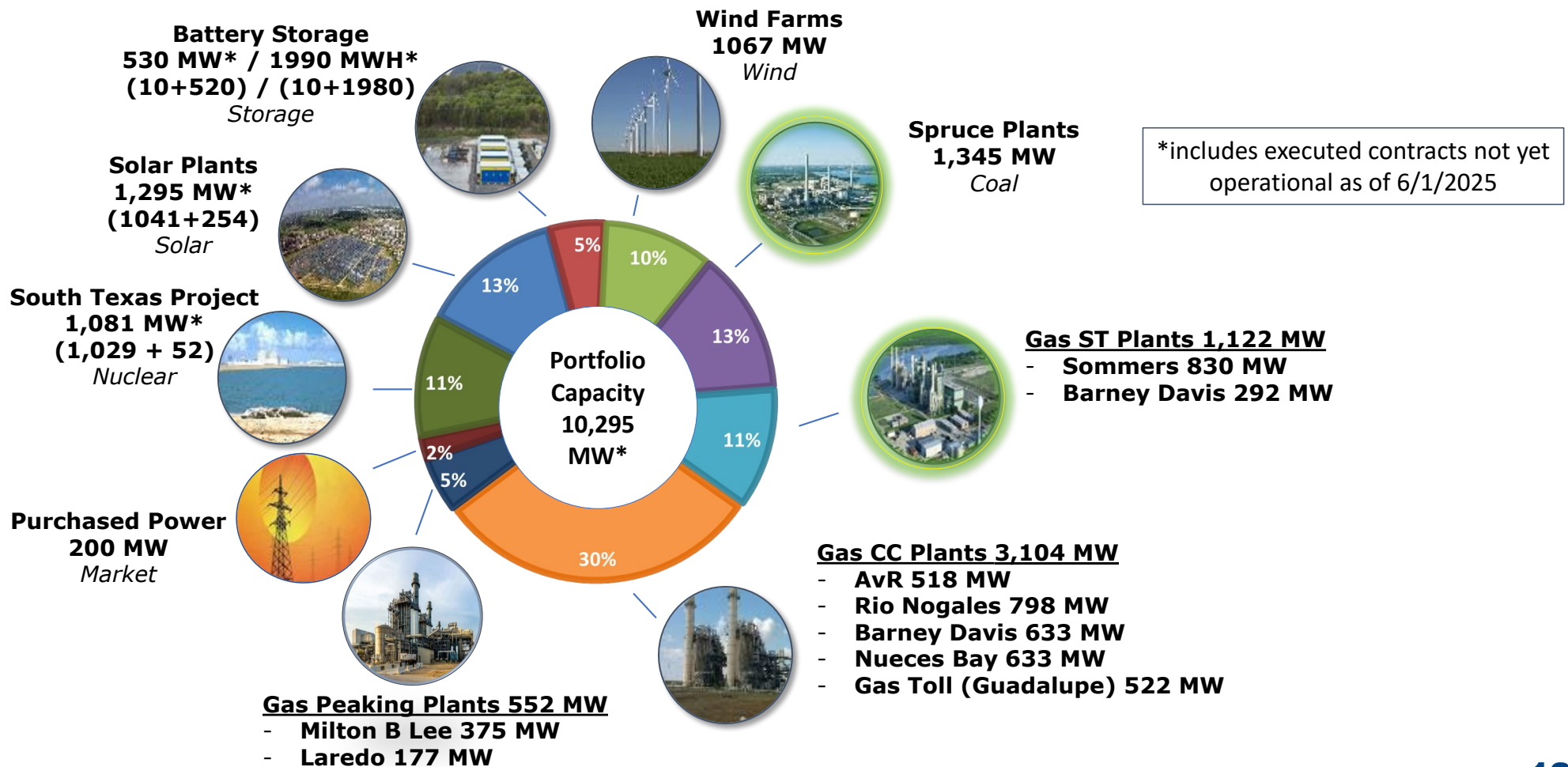
PATHWAY TO 2050

OUR TRANSITION TO NET-ZERO CARBON EMISSIONS





CPS ENERGY GENERATION PORTFOLIO





MACROECONOMIC UPDATE

PRESENTED BY:
Cory Kuchinsky, CPA
Chief Financial Officer (CFO) & Treasurer

June 16, 2025
Informational Update



AGENDA

- Economic environment
- Risk Assessment
- Financial Impacts

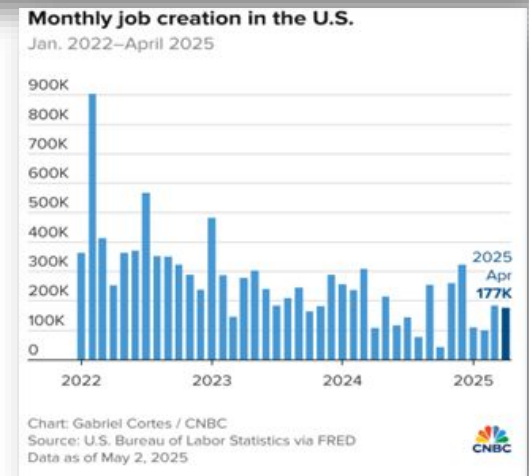
The objective of today's meeting is to update the Risk Management Committee on the economic conditions we are monitoring and how it impacts our business.

WHY WE MONITOR ECONOMIC CONDITIONS

KEY THEMES

- **What economic data do we look at?**
 - US Economic Backdrop
 - Strength of the US and San Antonio Consumer
 - Fiscal & Monetary Policy
- **Why is it beneficial?**
 - Helps identify risks to our financial plans & outlook
 - Recognize potential impacts to our customers
 - Optimize financial market access & liquidity

Understanding the macro picture helps drive better business decisions and provides guidance on how we navigate our business landscape.





ECONOMIC RISKS TO OUR PLAN

| <u>Indicator</u> | <u>Latest Figure</u> | <u>Trend (1)</u> | <u>Risk Level (2)</u> |
|------------------------|----------------------|------------------|-----------------------|
| Gross Domestic Prod. | Q1: (0.2%) | | Low High |
| Employment/Payrolls | April 2025: 177k | | Low High |
| Annual Inflation (PCE) | April 2025: 2.5% | | Low High |
| Retail Sales | April 2025: 0.1% | | Low High |
| Consumer Confidence | May 2025: 98.0 | | Low High |

We have seen economic conditions worsening over the past few years. They each have risk implications of varying degrees that impact our financial plans.



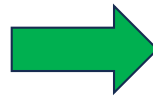
(1) Trajectory since June 2023

(2) Based upon potential impact and velocity to our existing financial plan

HOW IT IMPACTS OUR FINANCIALS

ECONOMIC INDICATOR

Employment/Payrolls
GDP
Retail Sales
Consumer Confidence

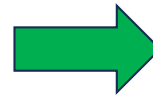


FINANCIAL IMPACT

Non-fuel Revenue
WRnF
Bad Debt Expense



Inflation
Interest Rates
Tariffs



O&M
Interest Expense
Capital Budgets



These economic indicators play a key role in shaping our financial performance, ultimately influencing our enterprise financial and operational metrics.



THANK YOU



APPENDIX

GLOSSARY / DEFINITIONS



| ACRONYM OR WORD | DEFINITION | ACRONYM OR WORD | DEFINITION |
|-----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|----------------------------------------------------------------------------------------|
| Gross Domestic Product (GDP) | A measure of all the goods and services produced in the economy over a period of time. | O&M | Normal costs incurred to keep business operations ongoing (Operations & Maintenance) |
| Personal Consumption Expenditures (PCE) | Measures changes in the prices consumers pay for goods and services over time. It's the Federal Reserve's preferred inflation gauge because it accounts for substitutions consumers make when prices change. | Wholesale Revenue net Fuel (WRnF) | Total revenue generated from wholesale electricity sales after subtracting fuel costs. |




AI – A Utility’s Perspective

Risks and considerations inside and out of CPS

June 2025
Bill Kost
Energy, Power , & Renewables Advisory Leader

A business of Marsh McLennan



**Over the
long term,
avoiding AI
risks will not
be an option**

Artificial intelligence and big data will become as ubiquitous as the computer and internet.

49 months

median time for power generation
interconnection request to
commercial operations in ERCOT
(through 2023)

Data current through 2023: https://emp.lbl.gov/sites/default/files/2024-04/Queued%20Up%202024%20Edition_R2.pdf

29.6 GW

Projected adjusted load growth
for data centers and crypto
in ERCOT through 2030

Projected datacenter load based upon Officer letters: <https://www.ercot.com/files/docs/2025/04/07/8.1-Long-Term-Load-Forecast-Update-2025-2031-and-Methodology-Changes.pdf>

50% - 70%

Projected Portion of data center
power usage for AI (by 2030)

Information taken from: <https://nicholasinstitute.duke.edu/sites/default/files/publications/rethinking-load-growth.pdf>

Our power and data networks must be resilient and reliable

It is more than asset protection



Power supply,
transmission, and grid
capacity



Environmental
controls and water
consumption



Redundant
connectivity

99.999%
availability is ~79
seconds of
downtime per
quarter

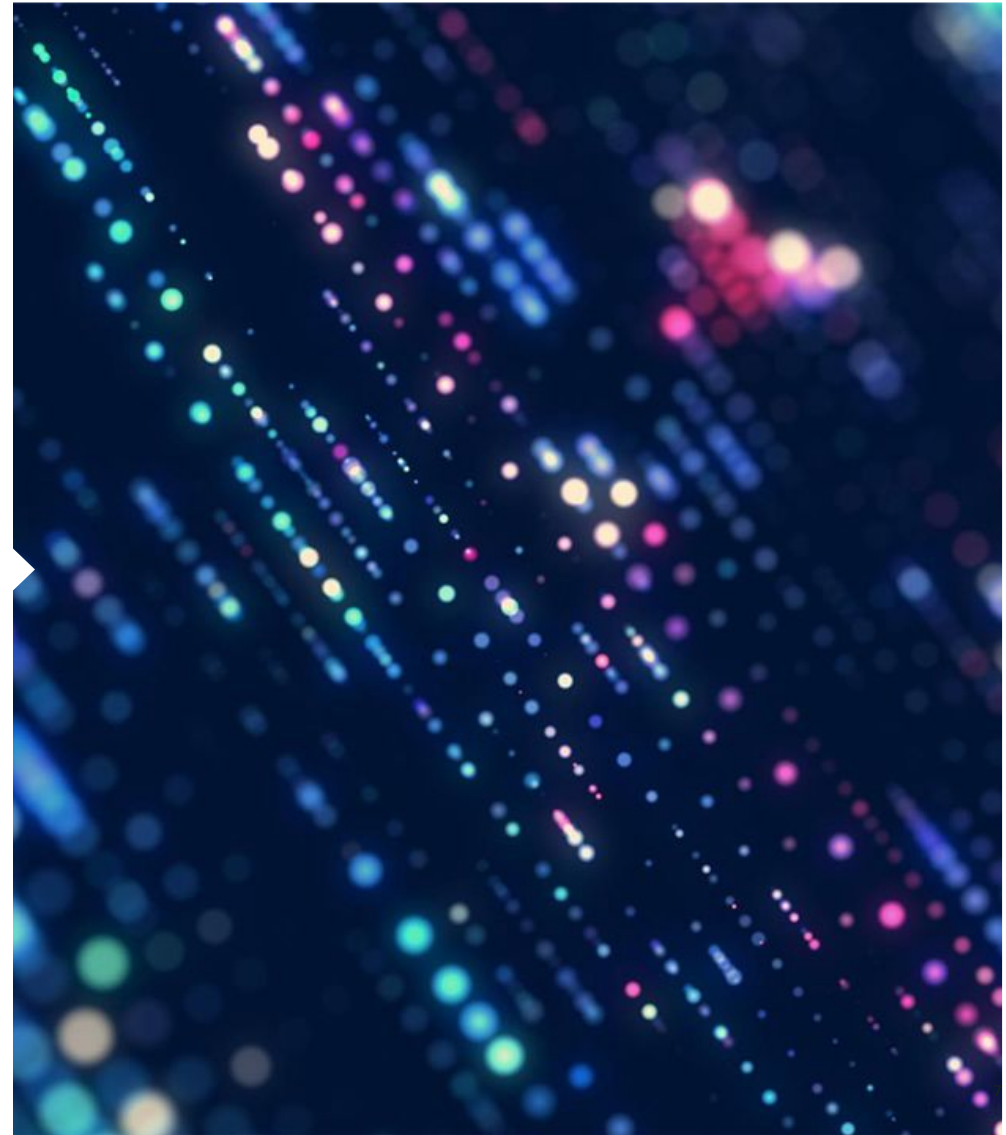
AI/Data/Digital Asset Mining Power Demand risks

Further complicated by availability requirements

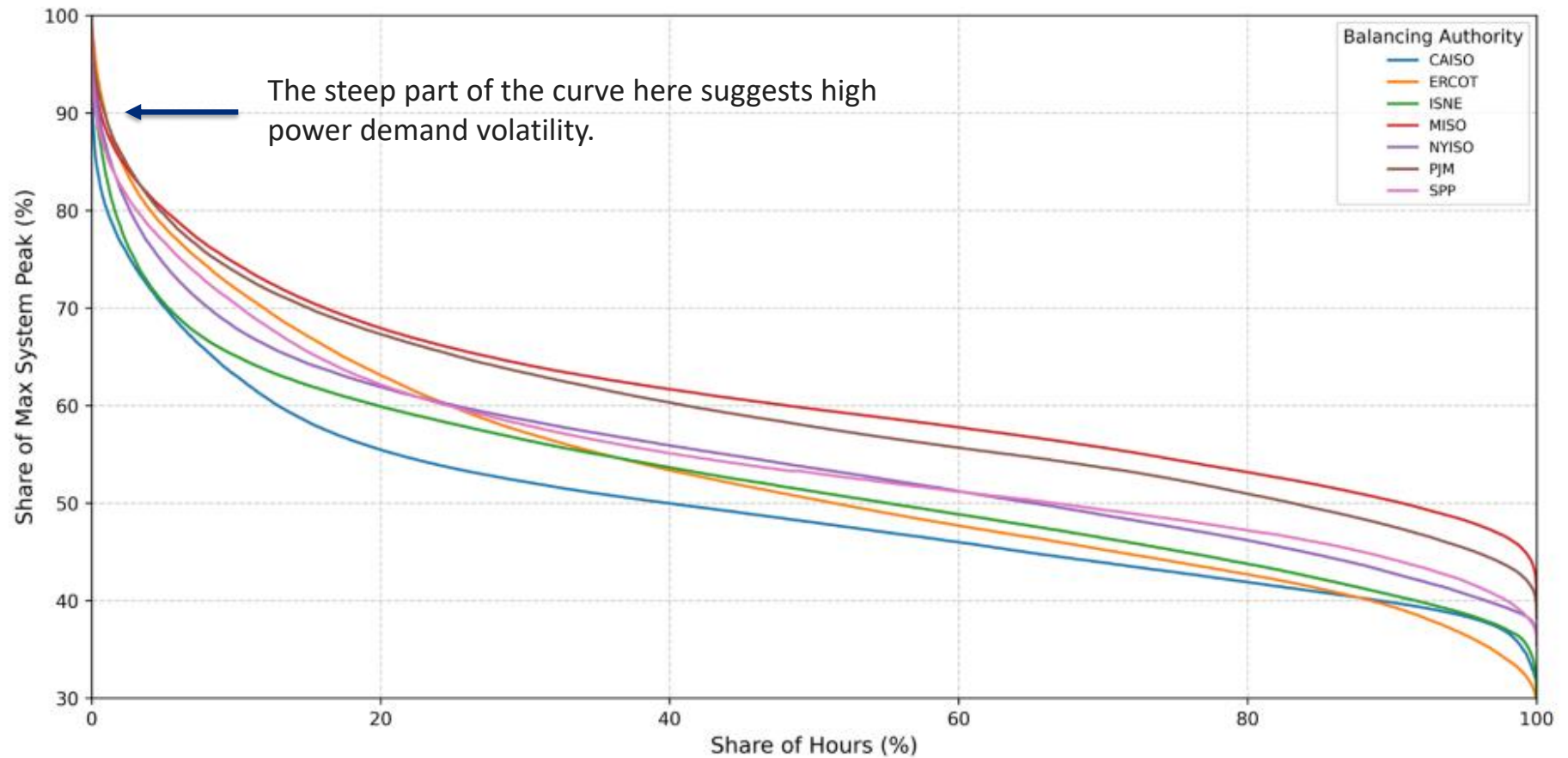
- Rapid and large interconnection demands
- Counterparty risk
- Load balancing and voltage disturbances (Spanish blackout is a recent example)
- Power supply and demand volatility
- Demand uncertainty – During Summer 2023, ERCOT experienced 8 operating days when at least 300 MW of Large Load ramped up within 15 minutes when system prices were above \$250/MWh and system reserve levels were declining.



Information taken from: https://www.nerc.com/comm/RSTC/LLTF/LLTF_Kickoff_Presentations.pdf



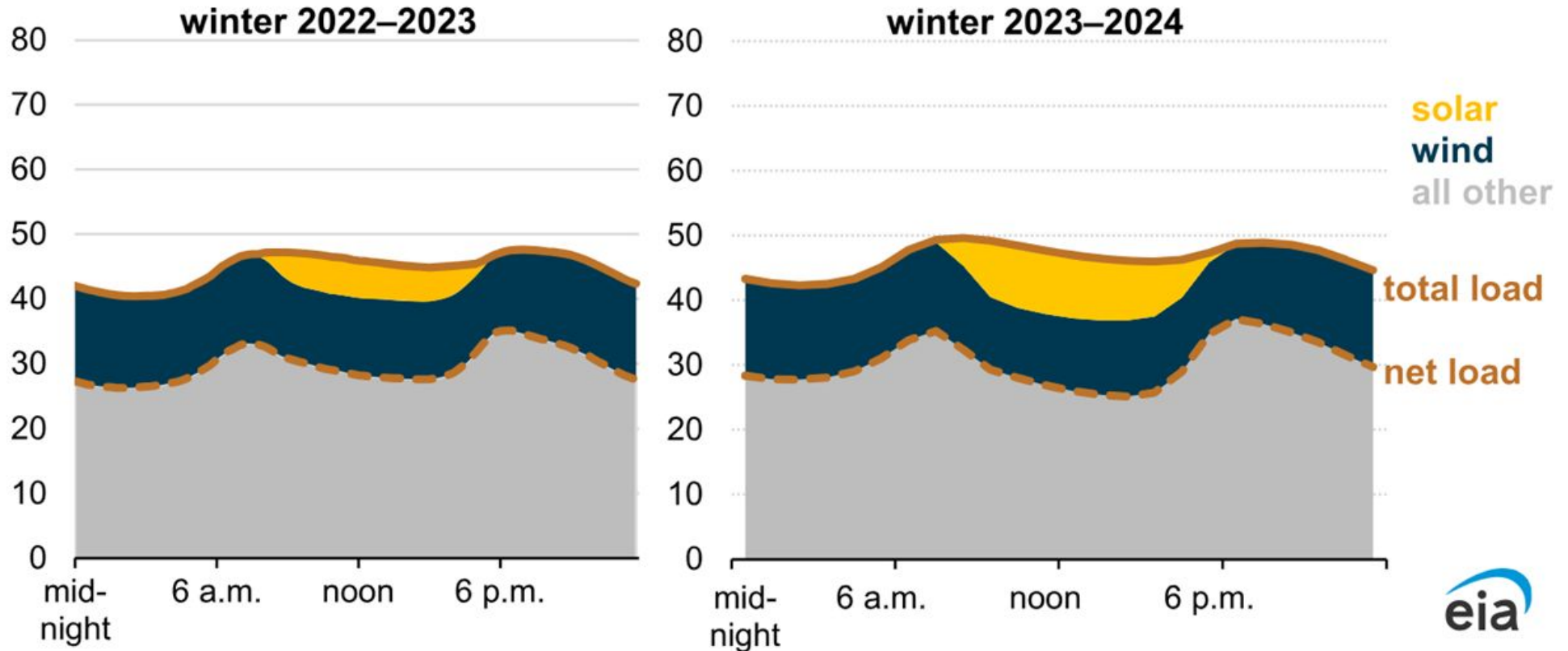
Load Duration Curve for US RTO/ISOs, 2016–2024



Information taken from:

<https://nicholasinstitute.duke.edu/sites/default/files/documents/rethinking-load-growth-webinar-presentation.pdf>

ERCOT (Texas) average hourly electricity generation in winter gigawatthours

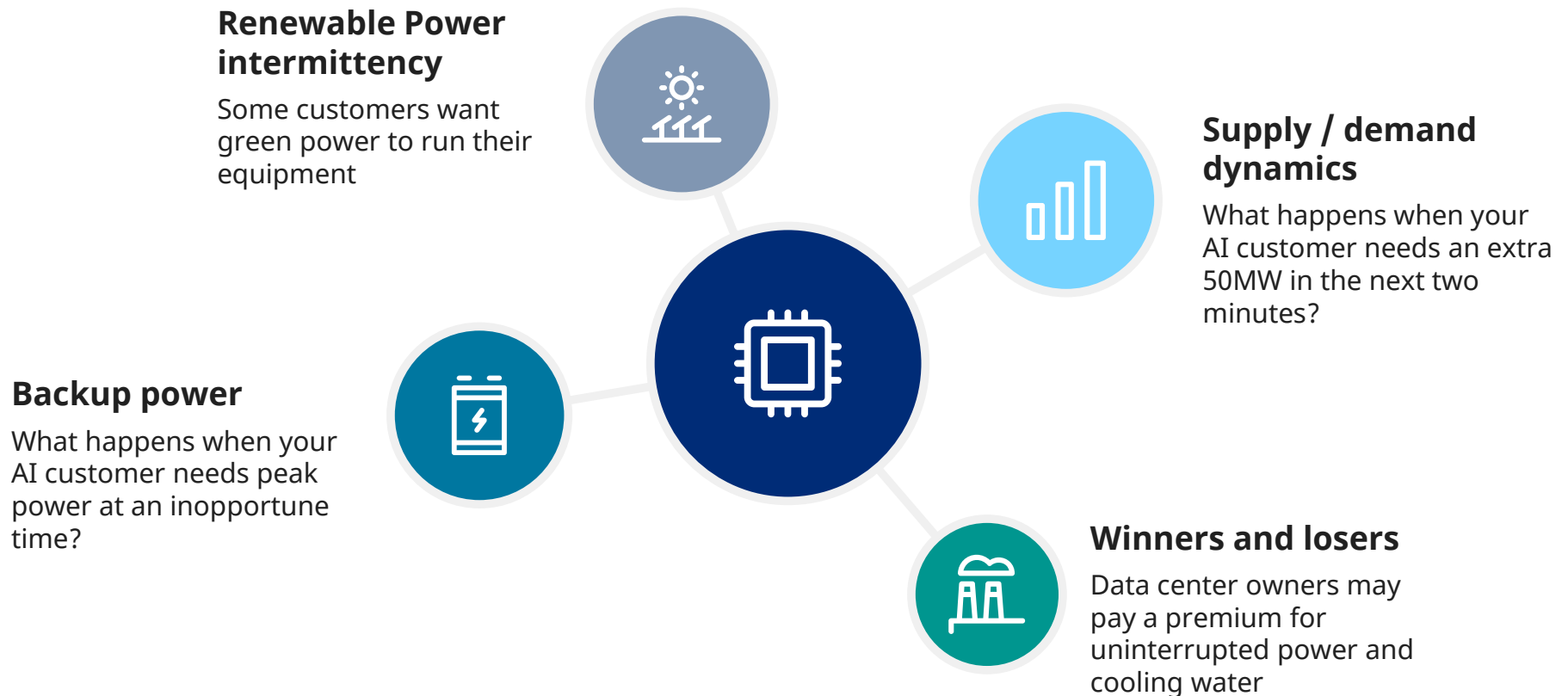


Data source: U.S. Energy Information Administration, [Hourly Electric Grid Monitor](#)

Note: Other fuels include coal, natural gas, hydropower, and nuclear. Utility-scale solar only. Winter is the full months of December, January, and February. ERCOT=Electric Reliability Council of Texas.

AI and data center risks

Adapting risk management to the risk profile of AI and Data centers

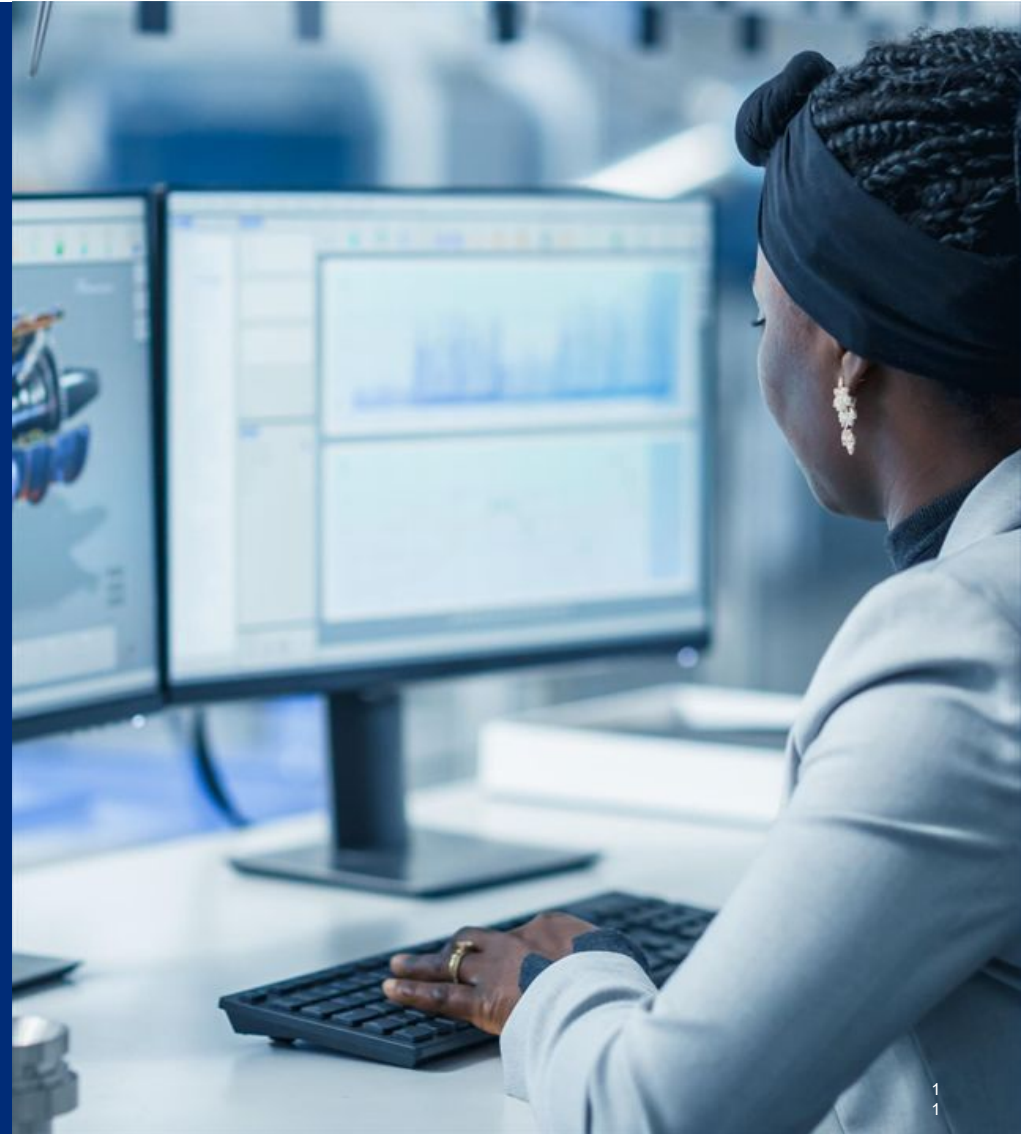


What does the future of data and computing look like for CPS?

Transition to mobile and decentralized computing for operations

Enterprise applications

AI assistants



Utilities' risks will continue evolving

- Ageing infrastructure
- PPA risks
- Inadequate power supply
- Power demand volatility
- Peak capacity demand growth
- AI utilization and workforce risks



Utilities have many opportunities

- Power generation optimization
- Enabling flexible demand
- Improving grid infrastructure at every scale
- Workforce empowerment



More information about workforce empowerment is available here:

<https://www.mercer.com/insights/talent-and-transformation/skill-based-talent-management/want-ai-driven-productivity-redesign-work/>

8 of 17

Number of power generation projects
that have been withdrawn from Texas
energy fund

Information taken from Financial Times (May 13, 2025): <https://www.ft.com/content/19a52438-b529-43a8-9a83-b2d680f3d7e3>

Utilities and project developers will face challenges

- Cost, time, and effort for upgrades
- Supply chain and tariff risks
- Regulatory and public opinion challenges





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